

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1776 - SB 1874

February 3, 2018

SUMMARY OF BILL: Establishes a credit against Franchise and Excise (F&E) Tax liability equal to the total charitable donations made to a qualified opioid treatment entity by a taxpayer during the tax period covered by the return. Defines “qualified opioid treatment entity.” Authorizes the Department of Revenue (DOR), in conjunction with the Department of Health (DOH), to develop quality standards that the opioid abuse treatment services or programs must meet for the entity to qualify as a qualified opioid treatment entity, and a procedure for certifying that the entity is a qualified opioid treatment entity. Establishes that the F&E tax credit shall not: exceed \$10,000 for any individual taxpayer in any tax period; exceed the total combined F&E tax liability; and exceed \$2,000,000 total for all taxpayers for any calendar year.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$1,000,000/FY20-21
\$2,000,000/FY21-22 and Subsequent Years**

Assumptions:

- An effective date of January 1, 2019.
- The following factors are unknown: the number of taxpayers with an F&E tax liability that will make a charitable donation to a qualified opioid treatment entity, the amount that such taxpayers will donate, the frequency with which the taxpayers will choose to donate, whether there are taxpayers that currently donate to such entities, and whether this legislation will incentivize charitable contributions to such entities.
- According to the DOR, approximately 18,000 taxpayers paid \$10,000 or more in F&E taxes in tax year 2016. As a result, it is reasonable to presume that a sufficient number of taxpayers will make contributions sufficient to qualify for and receive the cumulative maximum of \$2,000,000 in tax credits each year. For context, it would take only 20 of the 18,000 taxpayers with F&E tax liabilities exceeding \$10,000 making like-amount contributions to a qualified opioid treatment entity in order for them each to qualify for and receive the proposed tax credit such that the proposed cumulative tax credit of \$2,000,000 would be awarded each year.
- It is estimated that contributions earning this credit will not begin until January 1, 2019.

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- The taxpayer would notify the DOR of the donation amount by October 15th of 2020 and the department would inform the taxpayer of the amount of credit earned by December 15th of 2020, thereby allowing the use of this credit in FY20-21 and subsequent fiscal years.
- It is assumed that the tax credit will be applied evenly throughout the year. Therefore, the first fiscal year impact, in FY20-21, reflects credits claimed during the January 2021 through June 2021 time period. Therefore, a decrease in state F&E tax revenue estimated to be \$1,000,000 ($\$2,000,000 \times 50.0\%$) in FY20-21.
- The recurring decrease in state F&E tax revenue beginning in FY21-22 is estimated to equal the maximum allowed amount of \$2,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb